

Message Text

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SUBJECT: U.S. INVESTMENT IN INDIA

REF: (A) NEW DELHI 10734 AUGUST 8, 1975; (B) STATE 074464

1. OFFICIAL PUBLISHED DATA ON THE TOTAL VALUE OF FOREIGN AND
U.S. PRIVATE INVESTMENTS IN INDIA AS OF MARCH 31, 1973 WERE
REPORTED IN REF. A. NO LATER PUBLISHED FIGURES ARE AVAILABLE.
INFORMALLY, WE HAVE BEEN ABLE TO OBTAIN GOI MINISTRY OF FINANCE
ESTIMATES, BASED ON PRELIMINARY DATA PROVIDED BY THE RESERVE
BANK OF INDIA, FOR THE PERIOD ENDING MARCH 31, 1976. ACCORDING
TO THESE ESTIMATES, TOTAL OUTSTANDING FOREIGN INVESTMENTS IN
INDIA AS OF THAT DATE WERE RS.19,274 MILLION (US DOLS 2,267
MILLION) AND, OF THIS, US INVESTMENTS TOTALLED RS.5,282 MILLION
(US DOLS 621 MILLION). THE RATE OF EXCHANGE USED FOR CONVERSION
PURPOSES IS RS. 8.50 TO U.S. DOLS 1. THE HIGHER VALUE FIGURE
FOR TOTAL US INVESTMENTS IN INDIA, AS COMPARED TO US STATISTICS,
IS DUE TO INDIAN ACCOUNTING PRACTICE OF INCLUDING GERM LOANS
FROM COMMERCIAL AND INTERNATIONAL FINANCING INSTITUTIONS AS A PART
OF FOREIGN PRIVATE INVESTMENTS. A BREAKDOWN OF DIRECT EQUITY
INVESTMENTS AND LOANS IS NOT AVAILABLE.

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2. ACCORDING TO THE FOREIGN INVESTMENT BOARD AND THE SECRETARIAT FOR INDUSTRIAL APPROVALS OF THE GOI MINISTRY OF INDUSTRY,
AS OF DECEMBER 31, 1976, THERE WERE 318 EFFECTIVE LICENSING AND
ROYALTY ARRANGEMENTS.

3. GOI APPROVED 55 COLLABORATIONS BETWEEN INDIAN AND US FIRMS

DURING CY 1975 AND 68 DURING CY 1976. OF THESE, 9 AND 13 RESPECT-
IVELY INVOLVED EQUITY INVESTMENTS BY US COMPANIES WHILE THE REST
RELATED TO THE TRANSFER OF TECHNOLOGY EITHER FOR A LICENSING FEE
OR FOR PAYMENT OF ROYALTY FOR A SPECIFIC PERIOD. THE TOTAL VALUE
OF NEW US EQUITY INVESTMENTS APPROVED DURING CY 1975 AND CY 1976
WAS RS. 52.1 MILLION (DOLS 6.1 MILLION) AND RS.76.8 MILLION (DOLS
9.0 MILLION) RESPECTIVELY. PRINCIPAL U.S. COMPANIES BY WHOM EQUITY
INVESTMENTS WERE APPROVED BY GOI DURING 1975-76 WERE BLACK AND
DECKER; DURAMETTALIC CORPORATION; HOOVER AND NSK BEARING COMPANY;
CHICAGO PNEUMATIC TOOL COMPANY; SEACOR INC; DANA CORPORATION;
MOSANTO CHEMICAL; BANDAG INC; PHYSIO CONTROL CORPORATION; REPUBLIC
MINERAL CORPORATION; HECKETT ENGINEERING COMPANY; INTERMAGNETICS
CORPORATION; AND CHRONAR INC. A BREAKDOWN OF THE AMOUNT OF
INDIVIDUAL INVESTMENT AUTHORIZED BY THESE COMPANIES IS NOT READILY
AVAILABLE FROM ANY GOI SOURCE.

4. ACTUAL DISINVESTMENT STATISTICS FOR 1975-76 ARE NOT AVAILABLE.
WITH THE EXCEPTION OF THE TWO US OIL COMPANIES (ESSO AND CALTEX)
IN INDIA, THERE HAVE BEEN NO MAJOR DISINVESTMENT DECISIONS BY US
COMPANIES DURING 1975-76. WHILE FOREIGN COMPANIES WITH NON-
RESIDENT EQUITY IN EXCESS OF 40 PERCENT HAVE BEEN UNDER PRESSURE
FROM THE GOI DURING 1975-76 TO DILUTE FOREIGN EQUITY HOLDINGS,
MOST COMPANIES THAT WE KNOW OF ARE MEETING THIS REQUIREMENT THROUGH
A BROADENING OF THEIR EQUITY BASE RATHER THAN ACTUAL DISINVESTMENT.
WE BELIEVE THE US INVESTMENT OF ABOUT DOLS 56 MILLION WITHIN THE
PETROLEUM SECTOR AS OF MARCH 31, 1976 THAT IS AFFECTED BY GOI
TAKE-OVER OF THE TWO OIL COMPANIES (ESSO IN MARCH 1974 AND CALTEX
IN DECEMBER 1976) REPRESENTS THE ONLY MAJOR DISINVESTMENT BY US
FIRMS IN INDIA. THIS DISINVESTMENT WILL, HOWEVER, TAKE PLACE
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OVER THE PERIOD UNTIL IFY 1981-82 IN THE CASE OF BOTH ESSO AND
CALTEX.

5. A LIST OF ALL U.S. COMPANIES WITH LICENSING AND/OR EQUITY
INVESTMENTS IS CONTAINED IN THE DIRECTORY OF AMERICAN BUSINESS
CONCERN AND EDUCATIONAL AND PHILANTHROPIC INSTITUTIONS IN INDIA
WHICH IS AVAILABLE IN USDOC AND NEA/INS.

6. THE FOREGOING INVESTMENT STATISTICS HAVE BEEN OBTAINED INFOR-
MALLY AND IN CONFIDENCE. IT IS REQUESTED THAT THESE BE NOT
PUBLISHED OR ATTRIBUTED TO THE EMBASSY OR THE GOI.

7. EMBASSY PROPOSES TO UNDERTAKE A SURVEY OF US INVESTMENTS IN
INDIA AS PART OF THE FY1978 COUNTRY COMMERCIAL PROGRAM. IT IS
HOPED THAT THIS SURVEY WILL HELP FILL THE STATISTICAL GAPS THAT
EXIST
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